

What to do if your business is struggling financially

Updated as of 17 April 2020

You may be concerned about the effects that Coronavirus may have on your cashflow and ability to pay your debts, whether this is HMRC, employees or suppliers. It may also impact your ability to perform your obligations under customer contracts.

These practical tips have been put together to help you navigate the unsettled weeks and months that are now upon us, and we hope that you find them useful.

Talk to your suppliers/customers

- If you're concerned about paying a supplier, or are worried that you may not be able to fulfil your obligations to customers, then talk to your counterparty. Explain the issues you face and discuss whether there may be an agreed way to manage the commitments over the next few months that won't put too much strain on the businesses finances or workforce.
- Be realistic, and offer solutions and options to consider between you. These are unprecedented times, and you may find your counterparty is willing to be supportive.

HMRC

- A dedicated HMRC helpline has been set up to help businesses and self-employed individuals in financial distress and with outstanding tax liabilities receive support with their tax affairs. Through this, you may be able to agree a bespoke Time to Pay arrangement, a suspension of debt collection proceedings, or the cancellation of penalties where you have administrative difficulties contacting or paying HMRC immediately.
- The helpline number is 0800 0159 559 and is an addition to other HMRC phone numbers.
- VAT payments can also be deferred for 3 months from 31 March to 30 June 2020. You don't need to advise HMRC of this, just adjust your direct debit mandate or online system so the payment doesn't automatically get made. You will need to submit your VAT return on time, and you will need to pay the deferred VAT by 31 March 2021.
- It is likely that HMRC will be less aggressive about taking formal enforcement action for unpaid tax against businesses over the coming weeks and months. This shouldn't be a substitute for a specific agreement such as a Time to Pay arrangement, as it is always better to try and agree something in advance rather than wait and hope they don't take formal action.
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Government support

- The government announced a [package of measures](#) in the Budget on 11 March to provide support for business to ensure the impact of COVID-19 is minimized. This has since been expanded and clarified, and the full current range of business support measures can be found [here](#).
- The Coronavirus Business Interruption Loan Scheme has now been launched. This is open to UK based businesses with turnover of less than £50 million per annum, and aims to provide access to loans, overdrafts invoice finance and asset finance of up to £35 million and for up to 6 years. All major banks are offering the Scheme, and you should apply direct to them rather than the British Business Bank. You do not have to apply for a standard commercial loan first. The loan must be repaid at the end of the term, but the government will cover up to 80% of any bank losses with no fees.
- The government will also make a Business Interruption Payment to cover the first 12 months of interest payments and any lender-levied fees, but interest rates are set by the bank and no caps apply.
- If you have an existing loan with monthly payments, you can also in many cases secure a repayment holiday to help with cash flow.
- For businesses with fewer than 250 employees, the cost of providing 14 days of statutory sick pay per employee will be refunded by the government in full.
- Some businesses, including nurseries and those in the retail, hospitality and/or leisure sector, as well as nurseries, will be eligible for a Business Rates holiday for 1 year from 1 April 2020. No action needs to be taken to secure this, and you will be contacted by your local authority shortly.
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Bank support

- Some private lenders are also making funds available to small business impacted by COVID-19, including £2 billion from [Lloyds Banking Group](#) and £5 billion from [NatWest](#).
- Other lenders may be offering similar support, so it is worth discussing your situation with your lender to see what help is available.

Consider your options:

- If you are worried that your financial position is worsening rapidly, then seek specialist advice from a licensed insolvency practitioner. You can find one in your area at <https://www.gov.uk/find-an-insolvency-practitioner>. They will be able to advise you on your options to protect your business, employees and creditors.
- If you are concerned about your duties as directors, or your obligations under a particular contract, then get in touch with us and we can help. [This guidance note provides general guidance on directors' duties](#), and includes some practical tips at the end that you may find useful.

For further advice, please contact [Joanna Ford](#).

For more guidance, and further information, visit our [Coronavirus hub](#).